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JiaChen Holding Group Limited

佳辰控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1937)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of JiaChen Holding Group Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended	
		30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	95,319	125,710
Cost of sales		(73,838)	(96,372)
Gross profit		21,481	29,338
Other revenue and other net income	5	2,783	293
Selling expenses		(2,339)	(3,490)
Impairment of contract assets and trade and bills receivables, net		(1,737)	–
Administrative expenses		(9,790)	(10,480)
Profit from operations		10,398	15,661
Finance costs	6	(1,767)	(1,767)
Profit before taxation	7	8,631	13,894
Income tax	8	(1,896)	(1,509)
Profit and total comprehensive income for the period		6,735	12,385
Attributable to:			
Owners of the Company		6,685	12,319
Non-controlling interests		50	66
Profit and total comprehensive income for the period		6,735	12,385
		<i>RMB cent</i>	<i>RMB cent</i>
Earnings per share			
Basic and diluted	10	0.67	1.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		36,634	30,088
Land use rights		24,154	7,694
Right-of-use assets		186	277
Other intangible assets		24	46
Long-term deposits and prepayments		27,443	38,142
Deferred tax assets		4,814	4,814
		93,255	81,061
Current assets			
Inventories		70,375	50,870
Contract assets	11	84,474	79,099
Trade and bills receivables	12	84,129	141,768
Deposits, prepayments and other receivables		14,597	15,897
Amount due from a shareholder and director		–	1,331
Restricted bank deposits		4,344	2,761
Cash and cash equivalents		76,372	55,269
		334,291	346,995
Total assets		427,546	428,056
Current liabilities			
Trade payables	13	14,819	17,980
Contract liabilities	14	7,378	3,080
Accruals and other payables		22,313	26,986
Lease liabilities		136	159
Bank borrowings		74,990	81,000
Tax payable		4,762	2,371
		124,398	131,576
Net current assets		209,893	215,419
Total assets less current liabilities		303,148	296,480
Non-current liabilities			
Lease liabilities		58	125
Net assets		303,090	296,355

		At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Equity			
Share capital	15	8,856	8,856
Reserves		<u>292,884</u>	<u>286,199</u>
Equity attributable to owners of the Company		301,740	295,055
Non-controlling interests		<u>1,350</u>	<u>1,300</u>
Total equity		<u><u>303,090</u></u>	<u><u>296,355</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						Non- controlling interests	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Retained profits	Sub-total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
At 1 January 2021 (Audited)	8,856	154,249	1,577	11,068	94,763	270,513	1,158	271,671
Profit and total comprehensive income for the period	-	-	-	-	12,319	12,319	66	12,385
Transfer to statutory reserve	-	-	-	1,423	(1,423)	-	-	-
At 30 June 2021 (Unaudited)	<u>8,856</u>	<u>154,249</u>	<u>1,577</u>	<u>12,491</u>	<u>105,659</u>	<u>282,832</u>	<u>1,224</u>	<u>284,056</u>
At 1 January 2022 (Audited)	8,856	154,249	1,577	14,375	115,998	295,055	1,300	296,355
Profit and total comprehensive income for the period	-	-	-	-	6,685	6,685	50	6,735
Transfer to statutory reserve	-	-	-	898	(898)	-	-	-
At 30 June 2022 (Unaudited)	<u>8,856</u>	<u>154,249</u>	<u>1,577</u>	<u>15,273</u>	<u>121,785</u>	<u>301,740</u>	<u>1,350</u>	<u>303,090</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	44,839	42,562
Investing activities		
Payment for acquisition of property, plant and equipment	(8,933)	(762)
Payment for acquisition of land use rights	(16,546)	–
Proceeds from disposal of property, plant and equipment	189	167
Refund of deposit paid for acquisition of land use rights	10,699	40,000
Payment of deposit for acquisition of land use rights	–	(21,124)
(Deposit)/withdrawal of restricted bank deposits	(1,583)	2,161
Interest received	298	174
Net cash (used in)/generated from investing activities	(15,876)	20,616
Financing activities		
Repayment of bank borrowings	(6,010)	–
Repayment of lease liabilities	(90)	(385)
Interest paid	(1,760)	(1,767)
Net cash used in financing activities	(7,860)	(2,152)
Net increase in cash and cash equivalents	21,103	61,026
Cash and cash equivalents at beginning of the period	55,269	52,599
Cash and cash equivalents at end of the period	76,372	113,625

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

The Company was incorporated on 7 July 2017 and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is No. 18 Changhong East Road, Henglin Town, Wujin District, Changzhou, Jiangsu, the People's Republic of China (the "**PRC**").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of access flooring products and the provision of related installation services in the PRC. During the Period, the principal business was carried out through JiaChen Floor Changzhou Co., Ltd. ("**JiaChen Floor**"), which is an indirect non wholly-owned subsidiary of the Company incorporated in the PRC.

The Company's share are listed on Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's condensed consolidated interim financial information for the Period (the "**Interim Financial Information**") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") including compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards which are effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The accounting policies adopted in preparing the Interim Financial Information are consistent with those adopted in the annual report of the Group for the year ended 31 December 2021.

The Interim Financial Information is unaudited but has been reviewed by the audit committee of the Company.

3. OPERATING SEGMENT INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has two reportable operating segments which are the manufacturing and sales of the following two product lines:

- Steel access flooring plates; and
- Calcium-sulfate access flooring plates

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management, who are also the executive directors of the Company, monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all tangible and intangible assets and other current and non-current assets with exception of unallocated corporate assets. Segment liabilities include trade and bills payables, contract liabilities, accruals and other payables, lease liabilities and bank borrowings attributable to each reporting segment, with the exception of unallocated corporate liabilities.
- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segments results represent profit or loss attributable to the reportable segments without allocation of certain administrative costs and directors' remuneration. Taxation and finance costs are not allocated to reportable segments. This is the measure reported to the Group's most senior executive management, who are also the executive directors of the Company, for the purpose of resources allocation and performance assessment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management, who are also the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below:

(i) *Analysis of the Group's revenue and results by segment:*

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue						
from external customers	84,749	107,787	10,570	17,923	95,319	125,710
Reportable segment gross profit	18,702	24,612	2,779	4,726	21,481	29,338
Reportable segment results	9,113	12,938	1,366	2,899	10,479	15,837

(ii) *Analysis of the Group's assets and liabilities by segment:*

	Steel access flooring plates		Calcium-sulfate access flooring plates		Total	
	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	276,065	295,019	67,969	72,364	344,034	367,383
Reportable segment liabilities	111,130	119,472	8,564	9,848	119,694	129,320

(b) **Reconciliations of reportable segment revenue and profit or loss**

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment total revenue and consolidated revenue	95,319	125,710
Profit or loss		
Reportable segment results	10,479	15,837
Unallocated other revenue	298	174
Unallocated head office and corporate expenses	(379)	(350)
Unallocated finance costs	(1,767)	(1,767)
Consolidated profit before taxation	8,631	13,894

(c) **Reconciliations of reportable assets and liabilities**

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Assets		
Reportable segment assets	344,034	367,383
Unallocated head office and corporate assets	<u>83,512</u>	<u>60,673</u>
Consolidated total assets	<u>427,546</u>	<u>428,056</u>
Liabilities		
Reportable segment liabilities	119,694	129,320
Unallocated head office and corporate liabilities	<u>4,762</u>	<u>2,381</u>
Consolidated total liabilities	<u>124,456</u>	<u>131,701</u>

(d) **Geographical information**

The Group's operations are primarily located in the PRC. The non-current assets of the Group are primarily located in the PRC. Accordingly, no analysis by geographical basis is presented.

The following table sets out information about the geographical analysis of the Group's revenue based on the location of the Group's external customers:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
PRC	81,369	109,352
Hong Kong	6,044	4,338
Other countries and regions (<i>Note</i>)	<u>7,906</u>	<u>12,020</u>
	<u>95,319</u>	<u>125,710</u>

Note: Other countries and regions mainly include Thailand, Dubai, Taiwan and Singapore.

4. REVENUE

	For the six months ended 30 June	
	2022	2021
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers by types of performance:		
– Sales of access flooring plates	89,878	119,965
– Provision of installation services	5,441	5,745
	95,319	125,710
	95,319	125,710
Analysis of revenue by types of contracts:		
– Sales of access flooring plates and provision of installation services	73,336	102,513
– Sales of access flooring plates	21,884	22,731
– Provision of installation services	99	466
	95,319	125,710
	95,319	125,710

Set out below is an analysis of revenue recognised over time and at a point in time:

	For the six months ended 30 June	
	2022	2021
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue recognised over time:		
– Sales of access flooring plates	67,994	97,234
– Provision of installation services	5,441	5,745
	73,435	102,979
Revenue recognised at a point in time		
– Sales of access flooring plates	21,884	22,731
	95,319	125,710
	95,319	125,710

5. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	<u>298</u>	<u>174</u>
Other net income		
Government subsidies	740	149
Scrap sales	797	700
Net loss on disposal of property, plant and equipment	(46)	(419)
Exchange gain/(loss), net	<u>994</u>	<u>(311)</u>
	<u>2,485</u>	<u>119</u>
	<u>2,783</u>	<u>293</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,760	1,726
Unwinding of finance costs on lease liabilities	<u>7</u>	<u>41</u>
	<u>1,767</u>	<u>1,767</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following items:

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Contract costs of goods sold and services rendered (<i>Note (a)</i>)	73,838	96,372
Depreciation of property, plant and equipment	2,151	2,284
Amortisation of right-of-use assets	92	410
Amortisation of other intangible assets	23	23
Amortisation of land use rights	86	86
Net loss on disposal of property, plant and equipment	46	419
Operating lease charges in respect of properties and land use rights	91	144
Staff costs, including directors' remuneration:		
– Salaries, wages and other benefits	5,496	5,854
– Contributions to defined contribution retirement plans	1,382	1,251
	6,878	7,105
Research and development costs (<i>Note (b)</i>)	4,147	5,325

Notes:

(a) Contract costs of goods sold and services rendered

Included in the contract costs of goods sold and services rendered were the raw materials consumed of approximately RMB54,778,000 (six months ended 30 June 2021: RMB76,070,000), staff costs of approximately RMB2,202,000 (six months ended 30 June 2021: RMB2,523,000), installation costs of approximately RMB4,446,000 (six months ended 30 June 2021: RMB5,403,000), transportation costs of approximately RMB5,520,000 (six months ended 30 June 2021: RMB6,174,000), and depreciation of property, plant and equipment of approximately RMB1,978,000 (six months ended 30 June 2021: RMB1,829,000), which were included in the respective total amounts disclosed above for each type of these expenses.

(b) Research and development costs

Included in the research and development costs were raw materials consumed of approximately RMB2,402,000 (six months ended 30 June 2021: RMB4,132,000), staff cost of approximately RMB1,146,000 (six months ended 30 June 2021: RMB790,000) and depreciation of property, plant and equipment of approximately RMB256,000 (six months ended 30 June 2021: RMB173,000), of which, their respective total amounts were disclosed above for each type of these expenses.

8. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Corporation Income Tax		
– Charge for the period	1,896	1,509

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

No provision for the Hong Kong Profits Tax has been made as the Group had no taxable income derived in Hong Kong during the six months ended 30 June 2022 and 2021.

The Group's subsidiaries incorporated in the British Virgin Islands had no assessable profits derived in Hong Kong during the six months ended 30 June 2022 and 2021.

Pursuant to the PRC Income Tax Law and the respective regulations, all the subsidiaries of the Group operating in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on the taxable income. On 7 November 2019, JiaChen Floor was recognised by the relevant authorities as “High Technology Enterprise”. Accordingly, JiaChen Floor was entitled to a preferential CIT rate of 15% on its taxable profit. The other subsidiaries of the Group established in the PRC are subject to PRC CIT at the applicable standard rate of 25% on their taxable profits. However, none of these other subsidiaries had taxable profits since their respective dates of establishment.

According to applicable regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. Under the double taxation arrangement between the PRC and Hong Kong, the relevant withholding tax rate applicable to the Group is reduced from 10% to 5% subject to the fulfilment of certain conditions. However, no provision for deferred tax is recognised with respect to the withholding tax on undistributed profits of JiaChen Floor as the Group can control the dividend policy of JiaChen Floor which has no plan to make dividend distribution in the foreseeable future.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for each of the six months ended 30 June 2022 and 2021 is based on the following data:

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	6,685	12,319
	'000	'000
Number of ordinary shares		
Number of ordinary shares at the beginning and the end of the reporting period and the weighted average number of shares	1,000,000	1,000,000

Basic earnings per share for the Period amounted to RMB0.67 cent (six months ended 30 June 2021: RMB1.23 cents) per share.

Diluted earnings per share is the same as basic earnings per share as there was no dilutive potential ordinary share of the Company outstanding during both periods.

11. CONTRACT ASSETS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Rights to consideration for obligations performed on contracts in progress	75,562	70,825
Retention monies receivable on completed contracts	<u>13,226</u>	<u>11,930</u>
	88,788	82,755
Less: Allowance for lifetime expected credit losses ("ECLs")	<u>(4,314)</u>	<u>(3,656)</u>
	<u>84,474</u>	<u>79,099</u>

The contract assets represent the Group's rights to consideration for access flooring plates and/or installation services transferred to the customers but the rights to payments are still conditional upon the quality and quantity checks by the customers on the installed access flooring plates transferred by the Group, other than on passage of time. The contract assets are transferred to trade receivables when the rights to receipt of the consideration for performed obligations become unconditional and transfers out of contract assets to trade receivables were made.

An ageing analysis of the contract assets, based on the date of revenue recognition and before deduction of allowance for lifetime ECLs, is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 month	8,990	11,448
1 to 3 months	15,672	15,502
3 to 6 months	9,119	9,404
6 to 9 months	11,669	19,420
9 to 12 months	6,256	5,953
1 – 2 years	35,178	19,515
Over 2 years	<u>1,904</u>	<u>1,513</u>
	<u>88,788</u>	<u>82,755</u>

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	107,684	162,132
Bills receivables	<u>4,038</u>	<u>6,150</u>
	111,722	168,282
Less: Allowance for lifetime ECLs	<u>(27,593)</u>	<u>(26,514)</u>
	<u>84,129</u>	<u>141,768</u>

An ageing analysis of trade and bills receivables (net of allowance for lifetime ECLs), based on the invoice date, is as follows:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 month	13,983	37,031
1 to 3 months	17,802	41,732
3 to 6 months	12,490	17,560
6 to 9 months	15,279	18,348
9 to 12 months	2,894	9,375
1 – 2 years	13,827	9,391
Over 2 years	<u>7,854</u>	<u>8,331</u>
	<u>84,129</u>	<u>141,768</u>

The Group grants a credit period ranging from 60 to 365 days to its customers.

13. TRADE PAYABLES

The following is an analysis of trade payables by age based on the invoice date:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 months	11,315	15,752
1 to 3 months	2,604	1,088
3 to 6 months	649	894
Over 6 months	251	246
	<u>14,819</u>	<u>17,980</u>

Trade payables are non-interest bearing and have a credit term ranging from 30 to 60 days after invoice date.

14. CONTRACT LIABILITIES

The contract liabilities primarily relate to the advance considerations received from contract customers for the goods or services to be transferred by the Group.

The movements in contract liabilities are set out below:

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
At the beginning of the reporting period	3,080	3,870
Advance considerations received from customers	5,194	1,360
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>(896)</u>	<u>(2,150)</u>
At the end of the reporting period	<u>7,378</u>	<u>3,080</u>

15. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 June 2022 '000 (Unaudited)	As at 31 December 2021 '000 (Audited)	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>10,000</u>	<u>10,000</u>

16. MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries and other emoluments	615	565
Post-employment benefits	<u>54</u>	<u>54</u>
	<u>669</u>	<u>619</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review and Prospect

The Group is principally engaged in the manufacturing and sales of access flooring products and the provision of related installation services with the headquarters based in Changzhou City, Jiangsu Province, the PRC. The Group's products mainly consist of: (i) steel access flooring products; and (ii) calcium-sulfate access flooring products. The access flooring products of the Group have been generally applied in office buildings in the PRC with the characteristics of: (i) cable management (wires and cables are managed and organised underfloor with flexibility to accommodate any electronic devices); (ii) short installation time; (iii) high compressive strength and fire-resistance characteristic; and (iv) high bearing capacity.

Access flooring products have been widely applied for use in office buildings, industrial office buildings, data centres, classrooms, libraries, etc. The usage of raised access flooring products is increasing at a steady rate in the PRC due to the growth in the continuous investments in new office buildings as well as growing construction area of industrial land. This steady growth trend can mainly be attributed to the following primary factors: (i) a rising demand from construction of industrial office buildings in second-tier and above cities in China; (ii) an increase in the number of aging office buildings in China with the retirement of more and more obsolete access flooring products units; (iii) more stringent policies adopted by the PRC Government, stimulating an expected increase in the demand for access flooring products; (iv) a growth in price of access flooring products as a result of increasing raw materials prices; and (v) increasing penetration rate of calcium-sulfate access flooring products due to its high performance.

The total revenue of the Group for the Period decreased by approximately 24.2% to RMB95.3 million as compared with that of approximately RMB125.7 million for the corresponding six months in 2021. This was mainly attributable to the implementation of dynamic zero-COVID policy to combat the spread of pandemic resulting in the slow-down of the economic activities in the commercial building construction industry in the PRC. This substantial decrease in the total revenue of the Group has directly led to the drop of the gross profit and net profit of the Group from approximately RMB29.3 million and RMB12.4 million respectively for the six months ended 30 June 2021 to approximately RMB21.5 million and RMB6.7 million respectively for the Period.

Beginning in the first quarter of 2022, the PRC struggled to contain its worst outbreak of the COVID-19 pandemic through various traffic and travel controls and other social distancing measures of major cities, in particular the financial hub of Shanghai, which has exerted a significant adverse impact on the domestic economy and the industry at large. It is generally believed that the stagnation of economic activities caused by the lockdowns has taken a serious blow to the gross domestic product (the “GDP”). In the first half of the year of 2022, the GDP of the PRC only grew by 2.5% as compared to that of 12.7% achieved in the corresponding period in 2021. It appears that there should be a balance between containment of COVID-19 pandemic and resurrection of the domestic economic momentum as far as formulation of economic policies is concerned. However, we are still far from seeing the light at the end of the tunnel. In view of the repeated spreading of the COVID-19 mutant and the dynamic zero-COVID policies, the second half year of 2022 will be covered with brambles and challenges.

Regardless of the foregoing shortcomings, the Board is generally optimistic about the medium and long-term prospect of the access flooring products industry and the Group’s business operations. The Group will continue to focus its resources to enhance product recognition by improving product technology and upgrading the production line in order to maintain effective cost control and strengthen its competitiveness.

Sales Analysis

The Group posted a consolidated revenue of approximately RMB95.3 million for the Period, representing a decrease of approximately RMB30.4 million or 24.2% as compared to the six months ended 30 June 2021. The decrease in sales revenue for both steel access flooring products and calcium-sulfate access flooring products has contributed to the reduction in the consolidated revenue of the Group.

Details of the Group’s revenue by product are as follows:

	For the six months ended			
	2022		30 June	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
Steel access flooring products	84,749	88.9	107,787	85.7
Calcium-sulfate access flooring products	10,570	11.1	17,923	14.3
Total	<u>95,319</u>	<u>100.0</u>	<u>125,710</u>	<u>100.0</u>

Sales of steel access flooring products was the largest contributor to the Group's revenue and it accounted for approximately 88.9% of the total revenue for the Period. Revenue derived from sales of steel access flooring products decreased by 21.4% from approximately RMB107.8 million for the six months ended 30 June 2021 to approximately RMB84.7 million for the Period. This was mainly attributable to the control measures to combat the spread of the COVID-19 pandemic, which has led to the slow-down of the economic activities in the commercial building construction industry in the PRC in the first half of 2022.

Revenue derived from sales of calcium-sulfate access flooring products decreased substantially by 41.0% from approximately RMB17.9 million for the six months ended 30 June 2021 to approximately RMB10.6 million for the Period. This was also attributable to the control measures imposed as mentioned above.

Details of the sales volume and average unit selling price by product are as follows:

	For the six months ended			
	30 June			
	2022		2021	
	Average		Average	
	unit		unit	
	selling		selling	
	price		price	
	volume		volume	
	million m²		million m²	
	RMB/m²		RMB/m²	
Steel access flooring products	0.56	151.3	0.82	131.5
Calcium-sulfate access flooring products	0.05	211.4	0.09	199.1
Total	<u>0.61</u>		<u>0.91</u>	

Fluctuations in the sales volume of the Group's access flooring products were mainly due to different product mix in demand by the customers, which is mainly subject to the market demand and the needs of the relevant customers.

Generally, it is considered that both product specifications and technical requirements are the major factors affecting the product price. Based on the market needs, the Group usually adopts a cost-plus pricing policy that takes various factors into consideration, such as the production cost, price of raw materials, suppliers of installation services, purchase volume of the customers, background of the customers and competition.

Details of the Group's sale revenue by geographical location are as follows:

	For the six months ended			
	30 June			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	81,369	85.4	109,352	87.0
Hong Kong	6,044	6.3	4,338	3.4
Other countries and regions	7,906	8.3	12,020	9.6
Total	95,319	100.0	125,710	100.0

For both of the six months ended 30 June 2022 and 2021, the Group's products were mainly sold in the PRC and to a lesser extent exported to overseas markets such as Thailand, Malaysia, Taiwan and Singapore, etc.

Details of the gross profit and gross profit margin by product are as follows:

	For the six months ended			
	30 June			
	2022		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Steel access flooring products	18,702	22.1	24,612	22.8
Calcium-sulfate access flooring products	2,779	26.3	4,726	26.4
Total	21,481	22.5	29,338	23.3

The gross profit from steel access flooring products accounted for the majority of the gross profit of the Group for both of the six months ended 30 June 2022 and 2021. The gross profit margin of the access flooring products was a combined result of gross profit margin of individual contracts undertaken by the Group, which was in turn affected by various factors, including but not limited to the tender or quotation price, scale, project specifications and other estimated costs, which vary from project to project. The slight reduction in the gross profit margin of both steel access flooring products and calcium-sulfate access flooring products was mainly due to the relative increase in the fixed costs of production per unit resulting from the reduction in production volume.

Operating Costs and Expenses

Selling and distribution expenses decreased by approximately RMB1.2 million, representing a 33.0% decrease to approximately RMB2.3 million for the Period from approximately RMB3.5 million for the six months ended 30 June 2021. The decrease was mainly attributable to the decrease in courier and sundry expenses.

Administrative expenses decreased by approximately RMB0.7 million, representing a 6.6% decrease to approximately RMB9.8 million for the Period from approximately RMB10.5 million for the six months ended 30 June 2021. The reduction was mainly attributable to the decrease in research and development costs and staff costs.

Finance costs of approximately RMB 1.8 million remained unchanged for both of the six months ended 30 June 2021 and 2022.

Operating Results

Profit for the Period decreased by approximately 45.6% from approximately RMB12.4 million for the six months ended 30 June 2021 to approximately RMB 6.7 million for the Period. The reduction was mainly attributable to the control measures to combat the spread of the COVID-19 pandemic resulting in the slow-down of the economic activities in the commercial building construction industry in the PRC, which in turn has led to a decrease in the revenue of the Group by approximately 24.2%, and the impairment of contract assets and trade and bill receivables amounting to approximately RMB1.7 million made during the Period.

Capital Structure, Liquidity and Financial Resources

The Group funds its business and working capital requirements by using a balanced mix of internal resources and bank borrowings. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 30 June 2022, the Group held total assets of approximately RMB427.5 million (31 December 2021: approximately RMB428.1 million), including contract assets of approximately RMB84.5 million (31 December 2021: approximately RMB 79.1 million), trade and bills receivables of approximately 84.1 million (31 December 2021: approximately RMB141.8 million) and cash and cash equivalents of approximately RMB76.3 million (31 December 2021: approximately RMB55.3 million). The Group's cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars and United States dollars.

As at 30 June 2022, the Group had total liabilities of approximately RMB124.5 million (31 December 2021: RMB131.7 million) which mainly comprise of bank borrowings amounting to approximately RMB75.0 million (31 December 2021: RMB81.0 million). The Group's bank borrowings were denominated in RMB and bearing interest at the rates ranging from 3.8% to 4.8% (31 December 2021: 3.8% to 4.8%).

As at 30 June 2022, the gearing ratio, expressed as a percentage of total borrowings and lease liabilities over total equity, was approximately 24.8% (31 December 2021: 27.4%).

Contingent Liabilities

As at 30 June 2022, the Group had no contingent liabilities (31 December 2021: Nil).

Exposure to Fluctuations in Exchange Rate

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. The Group, therefore, does not have significant exposure to foreign exchange fluctuation.

The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuation will have material impact on the business operations or financial results of the Group. The Group does not have a hedging policy and it did not commit to any financial instruments to hedge its exposure to foreign currency risk during the Period. However, the Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the full extent including establishment of a hedging policy.

Charge on Group Assets

As at 30 June 2022, the Group had the following charges on its assets:

- (a) Bank borrowings totaling approximately RMB41.0 million (31 December 2021: approximately RMB41.0 million) were secured by the following assets:
 - (i) land use rights with a carrying value of approximately RMB7.8 million as at 30 June 2022 (31 December 2021: approximately RMB7.9 million);
 - (ii) leasehold buildings with a carrying value of approximately RMB7.0million as at 30 June 2022 (31 December 2021: approximately RMB7.4 million); and
- (b) Restricted bank deposits of approximately RMB4.3 million (31 December 2021: approximately RMB2.8 million) were pledged as security for issuing commercial bills to suppliers.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

There was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Period.

Significant Investments Held

During the Period, the Group did not hold any significant investments.

Future Plans for Material Investment and Capital Assets

Reference is made to the Company's announcement dated 25 March 2021, 30 September 2021, 31 December 2021 and 18 March 2022. As disclosed in the prospectus of the Company dated 31 December 2019 (the "Prospectus"), on 20 December 2018, JiaChen Floor Changzhou Co., Ltd, an indirect non-wholly owned subsidiary of the Group, entered into a memorandum of understanding with the Municipal People's Government in Henglin Town, Wujian District in respect of a possible acquisition of the land use right of one parcel of land which is located in Henglin Town, Wujin District, Changzhou City, Jiangsu Province, the PRC (the "Land") and a construction plan of construction of factory building thereon. On 4 March 2022, the Group and the vendor entered into a land acquisition agreement pursuant to which the Group agreed to acquire a portion of the Land covering an area of 35.67 mu for a consideration of RMB16,050,000.

Save as disclosed above in this announcement, the Group does not have other plans for material investment and capital assets during the Period.

Employees and Remuneration Policies

As at 30 June 2022, the Group had 176 employees (31 December 2021:183). The total staff costs including directors' remuneration for the six months ended 30 June 2022 were approximately RMB6.9 million (six months ended 30 June 2021: approximately RMB7.1 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses are offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decision with respect to salary increment and promotions.

Cash Flows

The Group reported net cash inflow from operating activities of approximately RMB44.8 million for the Period as compared to that of approximately RMB42.6 million for the six months ended 30 June 2021. The increase in net cash inflow from operating activities was mainly attributable to the increase in cash inflow from working capital during the Period.

The Group reported net cash outflow of approximately RMB15.9 million from investing activities for the Period as compared to the net cash inflow of approximately RMB20.6 million for the six months ended 30 June 2021. The swing from cash inflow to cash outflow in respect of the investing activities was mainly due to the refund of RMB 40 million for the deposit paid for acquisition of land use rights during the six months ended 30 June 2021 and the payment of approximately RMB16.6 million for acquisition of land use rights during the Period.

The Group reported net cash outflow of approximately RMB7.9 million from financing activities for the Period as compared to the net cash outflow of approximately RMB2.2 million for the six months ended 30 June 2021. This was mainly due to the repayment of bank borrowings during the Period.

Dividend

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2021: Nil).

Business Objectives and Implementation Plan

An analysis comparing the business objectives set out in the Prospectus with the Group's actual implementation progress up to 30 June 2022 is set out as follows:

Business Strategies	Planned use of proceeds <i>HK\$'M</i>	Actual use of proceed <i>HK\$'M</i>	Unutilised amount as at 30 June 2022 <i>HK\$'M</i>	Expected timeframe for the utilisation of the remaining balance
1. Increase the production capacity and efficiency				
– Acquisition of a parcel of land in Changzhou City	20.9	20.9	–	N/A
– Construction of infrastructure including two new factory buildings for production and storage	21.9	13.1	8.8	Further to the acquisition of the land parcel of land covering an area of 35.67 mu pursuant to the land acquisition agreement dated 4 March 2022, construction for the factory building and the related infrastructure thereon has commenced and it is expected that the construction will be completed by the end of December 2022. In addition, the Group continues to discuss and negotiate for the acquisition of the land use rights of the remaining parcel of land by the end of March 2023 so as to target for the completion of the construction of factory buildings and the related infrastructure thereon by the end of December 2023.

Business Strategies	Planned use of proceeds <i>HK\$'M</i>	Actual use of proceed <i>HK\$'M</i>	Unutilised amount as at 30 June 2022 <i>HK\$'M</i>	Expected timeframe for the utilisation of the remaining balance
– Installation of five additional production lines	26.9	22.1	4.8	While deposit amounting to RMB15 million for the production lines has been paid, installation and debugging will commence on completion of construction for the factory buildings mentioned above. It is anticipated that installation and debugging will commence in December 2022 targeting for the final acceptance check to be completed by the end of March 2023.
– Installation of environmental-friendly and energy-saving facilities and equipment	2.2	0.2	2.0	Installation for the first batch of environmental-friendly and energy-saving facilities and equipment has been planned to be completed by the end of March 2023. The remaining portion of environmental-friendly and energy-saving facilities and equipment is expected to be installed by the end of March 2024.
2. Acquisition of automated machinery and equipment for upgrading the existing production lines	5.1	5.1	–	N/A
3. Repayment of outstanding indebtedness of the Group	5.0	5.0	–	N/A

Business Strategies	Planned use of proceeds <i>HK\$'M</i>	Actual use of proceed <i>HK\$'M</i>	Unutilised amount as at 30 June 2022 <i>HK\$'M</i>	Expected timeframe for the utilisation of the remaining balance
4. Enhancement and optimization of the information technology system	2.3	–	2.3	Enhancement and optimization of the information technology system aims at satisfying the requirements under the expansion of production capacity resulting from the utilization of the factory buildings and the related infrastructure. The unutilised amount as at 30 June 2022 is anticipated to be utilised by the end of March 2024
5. Working capital and general corporate purposes	1.5	1.5	–	N/A
Total	<u>85.8</u>	<u>67.9</u>	<u>17.9</u>	

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the Period, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the material related party transactions are set out in note 16 of this announcement. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

COMPETING INTERESTS

The Directors confirm that none of the Directors or any of their respective close associates, has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, nor has any other conflict of interest with the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the code of conduct regarding the dealings in securities during the Period. Moreover, the Company was not aware of any non-compliance with the relevant provisions of the Model Code throughout the Period.

CORPORATE GOVERNANCE CODE

The Directors consider that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the Period.

EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or the Group after 30 June 2022 and up to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 19 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The Audit Committee currently comprises all three independent non-executive Directors, namely Mr. Xie Xing, as the chairman, Mr. Wang Li and Ms. Long Mei as the members.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems, nominate and monitor external auditor and to provide advice and comments to the Board on matters related to corporate governance. The Group's unaudited condensed consolidated interim results for the Period have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.jiachencn.com.cn>). The interim report of the Company for the Period will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

By Order of the Board
JiaChen Holding Group Limited
SHEN Min
Executive Director and Chairman

Changzhou, the People's Republic of China, 29 August 2022

As at the date of this announcement, the executive Directors are Mr. SHEN Min (Chairman), Mr. SHEN Minghui, Mr. CHEN Shipping (Chief Executive Officer) and Ms. LIU Hui; and the independent non-executive Directors are Mr. XIE Xing, Mr. WANG Li and Ms. LONG Mei.

This announcement is available for viewing on the Company's website at www.jiachencn.com.cn and the website of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk.